

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HENRY COUNTY)	
WATER DISTRICT NO. 2 TO ISSUE)	
SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$2,958,000 FOR)	CASE NO.
THE PURPOSE OF REFUNDING CERTAIN)	2002-00411
OUTSTANDING REVENUE BONDS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On November 15, 2002, the Henry County Water District No. 2 (Henry County District) submitted its application seeking Commission authority to obtain a loan from the Kentucky Rural Water Finance Corporation (KRWFC) in the amount of \$2,958,000, subject to an adjustment of up to 5 percent. Henry County District estimates the KRWFC loan will have a 31-year term with an effective variable interest rate of 1.79 to 5.05 percent¹ per annum. However, Henry County District states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgment factors.

As part of its application, Henry County District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed.

¹ Application, Exhibit A, Bond Debt Service Henry County Water District No. 2 Series 2002.

However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Henry County District states that there has been no change that is material in nature in the financial condition or operation of Henry County District since December 31, 2001. In its application, Henry County District uses the financial data for the 12-month period ending December 31, 2001, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Henry County District claims that it cannot run the risk of delaying the closing of the 2001 KRWFC loan while more current financial data is compiled. Having considered Henry County District's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

The loan proceeds will be used to refund Henry County District's Waterworks Revenue Bonds, Series of 1996 (1996 Revenue Bonds), dated April 29, 1997, bearing an interest rate of 5.50 percent per annum and an outstanding principal balance of \$2,903,500. Henry County District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$843,124 and \$177,006, respectively. If the proposed KRWFC loan is increased by the maximum 5 percent, Henry County District estimates that the total gross savings and a net present value savings will decrease to \$247,709 and \$76,468, respectively.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Henry County District's proposal to obtain the KRWFC

loan as described herein, to refinance its 1996 Revenue Bonds is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Henry County District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Henry County District is authorized to borrow an amount not to exceed \$3,105,900 from the KRWFC at an interest rate that will vary between 1.79 to 5.05 percent per annum.

3. Henry County District is authorized to obtain the proposed KRWFC loan only if the total gross savings and net present value savings of the refinancing of its 1996 Revenue Bonds are at a minimum of \$247,709 and \$76,468, respectively.

4. Henry County District shall, within 30 days of executing the agreement for the proposed KRWFC loan, file with the Commission a statement setting forth the date of the loan, the actual interest rate, and the actual principal amount.

5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 16th day of December, 2002.

By the Commission

ATTEST:

Deputy W^m H. Fowler
Executive Director